Weekly Economic Review

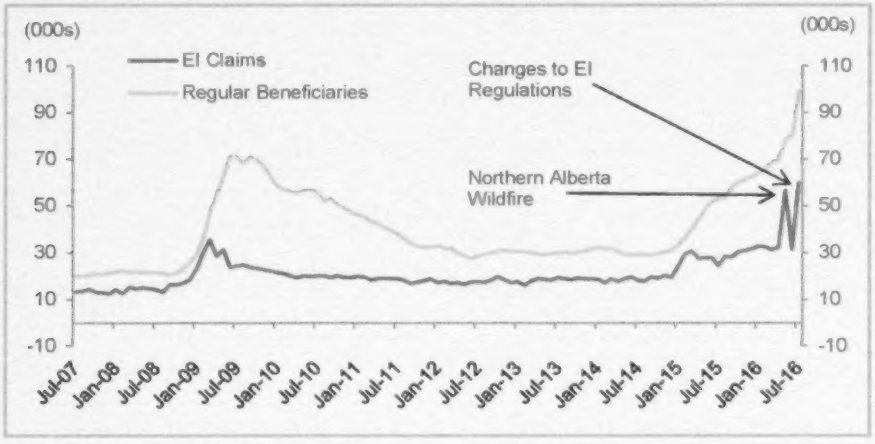
EI claims jump as benefits extended

Employment Insurance

EI change means more workers will be covered for longer

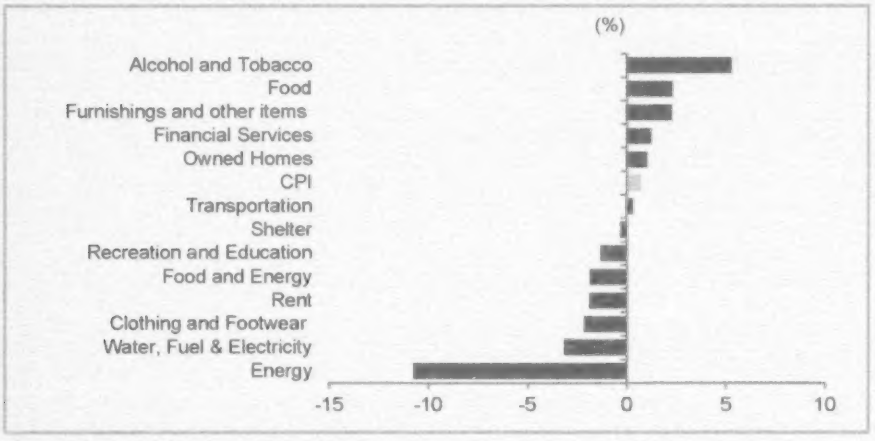
Significant changes to Canada's Employment Insurance (EI) rules led to a spike in the number of Albertans receiving EI benefits in July (Chart 1). The large jump was due to the prolonging of benefits – by between five to twenty weeks - for workers whose existing benefits were nearing expiration but haven't been able to find new work. The new rules cover all of Alberta and will be in effect for one year. The change entailed a one-time automatic EI renewal that elevated the number of EI claims received in July across Alberta to 59,810 (+91% month-over-month) while regular EI beneficiaries jumped to 99,320 recipients (+24% m/m). With more workers entitled to additional benefits, the fraction of Alberta's labour force receiving EI increased to 4.0%. Calgary and Edmonton each accounted for about one-third of recipients.

Chart 1: Benefits extention leads to spike in claimants and beneficiaries
Alberta Employment Insurance Claims and Beneficiaries



Source: Statistics Canada

Chart 2: Inflation dissipates as consumer spending subsides
Alberta Consumer Price Index and select sub-categories



Source: Statistics Canada

Consumer Price Index

Price pressures steadily recede

Inflation in Alberta dissipated for the fifth straight month, with consumer prices up a mere 0.7% year-over-year in August (Chart 2). The soft housing market and high vacancy rate reduced rents (-1.9% y/y) while low natural gas and coal prices have lowered electricity costs (-11% y/y). Fresh fruit (-0.2% y/y), vegetables (0.8% y/y) and meat (0.6% y/y) have moderated due to the impact of the weak Loonie and low farm gate prices for cattle. Sluggish retail sales have led businesses to mark down their merchandise, thus weighing on prices for discretionary consumer items like apparel and footwear (-2.1% y/y), recreational equipment (-3.4% y/y) and travel accommodations (-16% y/y). Energy prices continued to be a big drag on inflation, due in part to lower gasoline prices (-15% y/y).

Retail Sales

Consumers cutting back

Weaker economic conditions have led to trimmed spending by Albertans on discretionary items. Retail sales fell to $6.1 billion in July, down 0.8% m/m (Chart 3). Sales declined significantly for several categories including motor vehicle and parts (-10% m/m), building materials and supplies (-2.9% m/m)

and furniture and home furnishing stores (-2.0% m/m). Retailers of electronics and appliances (-8.1% m/m), health and personal care products (-1.1% m/m), and department stores (-0.8% m/m) also experienced a drop in sales. Sales were down for gas station (-3.7% m/m) in July, due in part to waning gas prices.

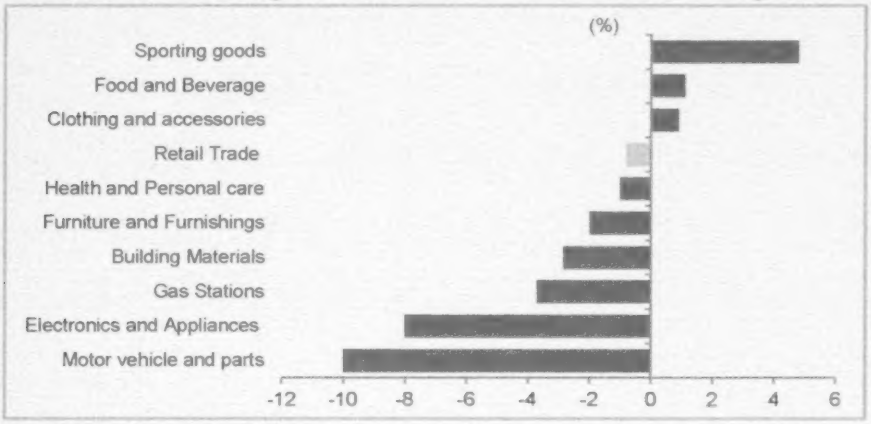
Investment in New Housing Construction

Slowdown in residential real estate market leads to lower investment

Investment in new housing construction across Alberta fell to $634 million in July, the lowest level since March 2012. Compared with the previous year, new housing investment was down 30% y/y and has been weakening for thirteen straight months. The slowdown in residential construction has dampened investment in all dwelling types, especially for single-family units (-31% y/y) and apartment buildings (-29% y/y).

Chart 3: Consumers keep their spending in check

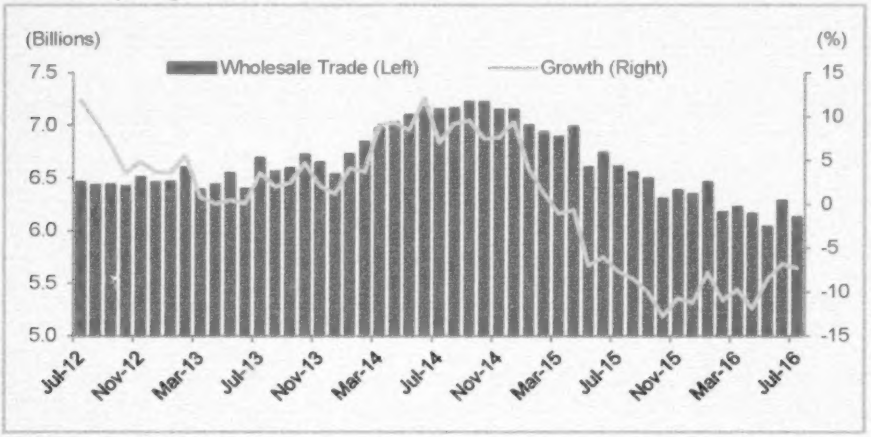
Month-over-month change in Alberta retail sales and select sub-catagories



Source: Statistics Canada

Chart 4: Wholesalers dealing with a steady decline in sales

Year-over-year growth and level of wholesale trade



Sources: Statistics Canada

Wholesale Trade

Wholesale steadily weakens

Wholesale trade remained lacklustre amid Alberta's ongoing economic downturn, falling 2.5% m/m to $6.1 billion in July (Chart 4). Compared with the previous year, wholesale activity was down 12% and has been steadily weakening for the past sixteen months, though the rate of decline appears to be slowing. Wholesaling has been broadly weak, with building material and supplies (-25% y/y) as well as machinery and equipment (-20% y/y) particularly underwhelming. Farm products sales (-10.1% y/y) have also been on the decline.

Travel

Low Loonie lifts tourist travel

The weak Loonie, a strong US labour market and lower transportation costs helped fuel another solid month of business for Alberta's tourism industry. With the arrival of 175,380 tourists in July, the number of people directly entering Alberta from other countries was up 10.1% y/y, mostly due to an increase in US tourists (7.9% y/y). Same-day travel by US citizens via car has risen 4.9% y/y. Tourism from other countries apart from the US has also risen substantially, up 15.3% y/y. Conversely, the low Loonie and tough economy are discouraging Canadians from traveling abroad via Alberta. The number of Canadians directly exiting Alberta was down 9.3% to 185,775 in July, with a slowdown in travel to both the US and other international locales.

Monetary Policy

Fed holds as BoJ intros new policy

Given the lacklustre global economic outlook, the US Federal Reserve left interest rates unchanged. Meanwhile, the Bank of Japan announced a new measure to raise inflation by targeting longer-term interest rates.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.